

State: District of Columbia **Filing Company:** Northwestern Long Term Care Insurance Company
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: 90-2520 (1219)
Project Name/Number: 90-2520 (1219)/90-2520 (1219)

Filing at a Glance

Company: Northwestern Long Term Care Insurance Company

Product Name: 90-2520 (1219)

State: District of Columbia

TOI: LTC03I Individual Long Term Care

Sub-TOI: LTC03I.001 Qualified

Filing Type: Form

Date Submitted: 01/16/2020

SERFF Tr Num: NWST-132202596

SERFF Status: Closed-APPROVED

State Tr Num:

State Status:

Co Tr Num: 90-2520 (1219)

Implementation

Date Requested:

Author(s): Julie Lewandowski, Laura Olski, Lisa Werner, Lisa Coons, Vivian Balistreri

Reviewer(s): Colin Johnson (primary), RaShaunda Benson

Disposition Date: 02/05/2020

Disposition Status: APPROVED

Implementation Date: 02/05/2020

State: District of Columbia **Filing Company:** Northwestern Long Term Care Insurance Company
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General Information

Project Name: 90-2520 (1219) Status of Filing in Domicile: Pending
Project Number: 90-2520 (1219) Date Approved in Domicile:
Requested Filing Mode: Review & Approval Domicile Status Comments:
Explanation for Combination/Other: Market Type: Individual
Submission Type: New Submission Individual Market Type:
Overall Rate Impact: Filing Status Changed: 02/05/2020
State Status Changed:
Deemer Date: Created By: Lisa Coons
Submitted By: Lisa Coons Corresponding Filing Tracking Number:

Filing Description:

We are submitting the attached form for your review and approval as advertising material. The form is being submitted on behalf of Northwestern Long Term Care Insurance Company, a wholly owned subsidiary of The Northwestern Mutual Life Insurance Company. We plan to introduce this form upon your approval. The form included in this filing will be used with policy form UU.LTC.(1014), which was approved by your state on 01/29/2014 under SERFF Tracking Number NWST-129264068.

The form is new and will not replace previously approved form. Below is the form and the type of advertisement:

Form Number/ Form Type / Type of Advertisement:

90-2520 (1219) / LTC Tax advantages of long term care insurance / Invitation to Inquire

The form included with this filing is intended for use by our agents to provide to clients and prospects information regarding long-term care insurance. The form may also be used on internet or intranet sites.

Based on the above, your review and approval is greatly appreciated. If you should have any questions regarding the enclosed forms, you may call me at (414) 665-7396 or you can e-mail me at lisacoons@northwesternmutual.com. When sending an e-mail, please copy Vivian Balistreri Vivianbalistreri@northwesternmutual.com.

Sincerely,

Lisa Coons
Product Compliance Analyst
Actuarial Department

Company and Contact

Filing Contact Information

Vivian Balistreri, Product Compliance Senior Specialist
720 E. Wisconsin Avenue Milwaukee, WI 53202
vivianbalistreri@northwesternmutual.com
414-661-1763 [Phone]
414-625-7598 [FAX]

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Filing Company Information

Northwestern Long Term Care
Insurance Company
720 East Wisconsin Avenue
Rm S845
Milwaukee, WI 53202
(414) 271-1444 ext. [Phone]

CoCode: 69000
Group Code: 860
Group Name:
FEIN Number: 36-2258318

State of Domicile: Wisconsin
Company Type: Long Term
Care
State ID Number:

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

SERFF Tracking #:	NWST-132202596	State Tracking #:		Company Tracking #:	90-2520 (1219)
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Colin Johnson	02/05/2020	02/05/2020

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Disposition

Disposition Date: 02/05/2020

Implementation Date: 02/05/2020

Status: APPROVED

Comment:

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Statement of Variability	APPROVED	Yes
Supporting Document	Highlighted Version	APPROVED	Yes
Form	Tax Advantages of Long Term Care Insurance	APPROVED	Yes

State:	District of Columbia	Filing Company:	Northwestern Long Term Care Insurance Company
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Form Schedule

Lead Form Number: 90-2520 (1219)								
Item No.	Schedule Item Status	Form Name	Form Number	Form Type	Form Action	Action Specific Data	Readability Score	Attachments
1	APPROVED 02/05/2020	Tax Advantages of Long Term Care Insurance	90-2520 (1219)	ADV	Initial			STD 90-2520 (1219).pdf

Form Type Legend:

ADV	Advertising	AEF	Application/Enrollment Form
CER	Certificate	CERA	Certificate Amendment, Insert Page, Endorsement or Rider
DDP	Data/Declaration Pages	FND	Funding Agreement (Annuity, Individual and Group)
MTX	Matrix	NAP	Network Access Plan
NOC	Notice of Coverage	OTH	Other
OUT	Outline of Coverage	PJK	Policy Jacket
POL	Policy/Contract/Fraternal Certificate	POLA	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider
PRC	Provider Contract/Provider Addendum/Provider Leading Agreement	PRD	Provider Directory

Tax advantages of long term care insurance

For Northwestern long term care insurance policies

You may be entitled to tax advantages with the purchase of qualified long term care insurance (LTC). In many cases, these advantages are limited to a deduction for eligible premiums paid for a qualified LTC contract. The amount of eligible premiums that can be deducted is limited to dollar amounts based on the insured's age. The benefits may also be income-tax free. In addition, many states have their own tax incentives. Please see your financial representative or accountant for more details. For the eligible LTC premiums, see chart below.

LTC - ELIGIBLE PREMIUM AMOUNTS ¹		
	2019	2020
Age 40 or less	\$420	\$430
Age 41 to 50	\$790	\$810
Age 51 to 60	\$1,580	\$1,630
Age 61 to 70	\$4,220	\$4,350
Age 71 and over	\$5,270	\$5,430
Per diem benefit limitation	\$370	\$380

For an individual or couple

Individuals may be able to deduct eligible LTC premiums as an unreimbursed medical expense on Schedule A of their personal Form 1040 tax filing. They may also be able to include the premium paid for their spouse and/or dependent(s). For most taxpayers, this amount is deductible once it exceeds 10% of adjusted gross income.²

For the self-employed

Self-employed include sole proprietors, partners, members of a LLC, or more than 2% shareholders of an S corporation. They may be able to include the eligible LTC premium as a trade or business expense for themselves, their spouse and/or dependents.³

For the employee

Employees may include non-owners, 2% or less shareholders of an S corporation, and shareholders of C corporations who are also employees of that C Corporation. Premiums paid by an employer for an employee's qualified LTC coverage are generally excludable from the employee's income. The employer may also be able to deduct the full LTC premium as an expense as long as it is reasonable compensation.⁴

Eligible employees

Employers may select a group of employees to receive the LTC benefit. It is possible to discriminate but best to avoid groups based on gender, age, race and/or ownership status.⁵

Tax-exempt organizations

Employees of tax-exempt organizations may generally exclude premiums their employer pays for qualified LTC coverage. The tax-exempt organization may need to report the premiums to the IRS as part of the organization's expenses. There is no deduction because the organization pays no taxes.

Benefits received

Benefits received from an LTC policy are generally not considered taxable income. Regardless of who owns the policy, all benefits received during a calendar year for an insured under qualified LTC contracts and as accelerated death benefits from life insurance contracts must be aggregated. The total amount of benefits that can be excluded from income tax is the greater of the actual qualified LTC expenses incurred, or the "per diem" limit. The "per diem" limit is a dollar amount for each day the insured is chronically ill. The "per diem" amount is adjusted for inflation annually.

¹ I.R.C. § 213(d) and Revenue Procedures [2018-57 (for 2019) and 2019-44 (for 2020)]

² I.R.C. § 213(a)

³ I.R.C. §§ 162 and 1372(a)

⁴ I.R.C. §§ 7702B(a)(3) 106(a) and 162(a)

⁵ Department of Labor, ERISA Act of 1974; 29 CFR Part 2560. It is possible that an employer-based LTC Insurance Plan is subject to ERISA's requirements as a welfare benefit plan.

1035 exchanges

The Pension Protection Act of 2006 allows for tax-free 1035 exchanges from an annuity or a life insurance policy to pay qualified LTC insurance premiums.

Health savings accounts (HSA)

For those with a high deductible health care plan and an HSA, eligible LTC premiums are generally considered a qualified medical expense withdrawal from the HSA.

Health reimbursement arrangements (HRA)

If the HRA is not also an FSA, eligible LTC premiums paid from the HRA generally are a qualified medical expense (i.e., come out tax-free).

Cafeteria plans (IRC section 125(F)) and flexible spending accounts (FSA)

LTC premiums cannot come from a cafeteria plan or an FSA on a tax-favored basis. This is also true for premiums from an Individual Retirement Account (IRA) or 401(k).

Gift tax exclusion

Like any other gift, premiums paid for an LTC contract owned by someone else may be subject to the rules that apply to gifts. Such a gift may count against the annual gift tax exclusion [(\$15,000 for 2020)].

Glossary of terms

Cafeteria plans (IRC section 125(f)) – Some employers set aside a certain dollar amount that allows employees to mix and match fringe benefits that fit their personal needs. The employee can choose to use these funds for tax-free benefits (such as life, health, disability, dental and vision insurance, and dependent care) or, in some cases, taxable benefits.

Flexible spending accounts (FSA) – Employees and/or employers can contribute to the FSA using pre-tax income. The contributions are determined at the beginning of the year and cannot change. The employee is reimbursed from the account for specified medical expenses. Any money left in the account at the end of the year is forfeited.

Gift taxes – The IRS generally imposes a gift tax upon those who make gratuitous lifetime transfers (taxing the donor who makes the gift). There are, however, certain exclusions and exemptions, including an annual gift tax exclusion of [\$15,000] per donee⁶ (for [2020]), plus tuition and medical expenses – which include paying eligible LTC premiums for another person. The donor simply pays the eligible LTC premium for the donee, and there will be no gift tax imposed on that amount.

Health reimbursement arrangements (HRA) – Using employer's funds, employees are reimbursed for substantiated medical expenses (deductibles, coinsurance and co-payments) including the costs for health insurance. Funds in an HRA can carry over from year to year and stay with the employer when the employee leaves the company.

Health savings accounts – Health savings accounts (HSAs) are available to those individuals and families who have a high-deductible health insurance plan. The idea is that consumers will pay out-of-pocket for their initial health care needs using money in their HSA account until the insurance deductible is met. Contributions to the HSA are excluded from an employee's income and distributions for qualified medical expenses are tax-free. The maximum amount that can go into an HSA each year is the indexed limit of [\$3,550]⁷ for individuals and [\$7,100]⁸ for families (for [2020]). Employees and/or employers can contribute to the HSA. Individuals own the account and unspent amounts remain in the HSA over time where interest is earned on the account without taxation.

Tax-qualified – Tax-qualified long-term care insurance contract means a long-term care insurance contract that meets the requirements of Section 7702B(b) of the Internal Revenue Code.

Our publication of this document is not intended to provide legal, accounting or tax services or advice, and should not be relied on to avoid tax penalties. The information provided in this document describes examples of tax advantages that you or someone else could be eligible for, as determined by the Internal Revenue Service (IRS). Individuals must rely upon their own legal, accounting or tax advisors to consider and apply these principles to their specific situations and transactions. Financial Representatives (licensed insurance agents/producers) do not give legal or tax advice. The purpose of this material is for the marketing and solicitation of insurance. A financial representative (a licensed insurance agent/producer of Northwestern Long Term Care Insurance Company) may contact you. For costs and further details of coverage, including exclusions, any reductions or limitations and terms under which the policy may be continued in force, see your licensed insurance agent/producer or write to the company. This long-term care insurance policy includes exclusions and limitations.

Long-Term Care Insurance Policy form UU.LTC.(1014) or UU.LTC.(0916) or state equivalent. Not all policies are available in all states.

⁶ Revenue Procedure [2018-57]

⁷ Revenue Procedures [2018-30 (for 2019) and 2019-44 (for 2020)]

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www.northwesternmutual.com

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Supporting Document Schedules

Satisfied - Item:	Statement of Variability
Comments:	
Attachment(s):	STD 90-2520 (1219) SOV.pdf
Item Status:	APPROVED
Status Date:	02/05/2020

Satisfied - Item:	Highlighted Version
Comments:	
Attachment(s):	STD 90-2520 (1219) Highlighted.pdf
Item Status:	APPROVED
Status Date:	02/05/2020

Statement of Variability

For LTC Advertising Form 90-2520 (1219)

Reference	Bracketed Item	Explanation of Variability
1	LTC – Eligible Premium Amounts Chart	The tax deductible premium amounts, along with the consecutive two years, will be updated annually to reflect the most recent tax information published by the IRS. The corresponding footnote will also be updated to reflect the corresponding Revenue Procedures.
2	[2018-57 (for 2019) and 2019-44 (for 2020)]	Revenue Procedures will be updated annually based on the most recent tax information published by the IRS.
3	[\$15,000 for 2020]	Annual Gift Tax Exclusion and year will be updated based on the most recent tax information published by the IRS.
4	[\$15,000]	Annual Gift Tax Exclusion will be updated based on the most recent tax information published by the IRS.
5	[2020]	Year will be updated based on the most recent tax information published by the IRS.
6	[\$3,550]	Maximum indexed limit amount allowed into an HSA each year for individuals and families will be updated based on the most recent revenue procedure published by the IRS.

7	[\$7,100]	Maximum indexed limit amount allowed into an HSA each year for individuals and families will be updated based on the most recent revenue procedure published by the IRS.
8	[2020]	Maximum indexed limit amount allowed into an HSA each year for individuals and families will be updated based on the most recent revenue procedure published by the IRS.
9	[2018-57]	Revenue Procedures will be updated annually based on the most recent tax information published by the IRS.
10	[2018-30 (for 2019) and 2019-44 (for 2020)]	Revenue Procedures will be updated annually based on the most recent tax information published by the IRS.
11	[2018-30 (for 2019) and 2019-44 (for 2020)]	Revenue Procedures will be updated annually based on the most recent tax information published by the IRS.

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Long-Term Care Insurance Policy form UU.LTC.(1014) or UU.LTC.(0916) or state equivalent. Not all policies are available in all states.

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